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SUBJECT: AMBASSADOR'S MEETING WITH NEW MINISTER OF PETROLEUM AND
NATURAL RESOURCES

11. (SBU) SUMMARY: Ambassador met with the Minister of Petroleum and Natural Resources on April 16 to discuss Pakistan's plans for dealing with the current energy crisis. The Government of Pakistan (GOP) requests assistance with attracting investors to its energy sector, organizing an investment conference and exploring the possible development of the Thar coal fields. The Minister and confirmed the GOP continues natural gas pipeline discussions with Iran. Payment of outstanding debts to U.S. companies and ending the fuel subsidies were also discussed. Post requests assistance in providing resources on energy efficiency to the GOP. Post requests that SCA/PB gather materials from relevant agencies and send them to Post electronically or via pouch. Post also requests that SCA and EEB discuss the possibility of funding a feasibility study on the Thar coal fields with USTDA. END SUMMARY.

12. (U) This is an action request. See paragraph 12.

ENERGY TOP PRIORITY

13. (SBU) At the April 16 meeting with newly appointed Minister of Petroleum and Natural Resources Mr. Khawaja Asif, Ambassador asked how the new government planned to develop additional energy generation in Pakistan. Asif noted that the energy crisis must be dealt with quickly, and that new government planned to make it the priority issue. He emphasized that the new government wants to develop the Thar coals fields in Sindh province. Calling the development of coal the "low hanging fruit for Pakistan's energy sector," Asif requested U.S. assistance to develop a bankable feasibility study for the Thar coal fields.

14. (SBU) The GOP also wants to promote conservation efforts and energy efficiency to help relieve the crisis in the short term. Asif requested U.S. "fast track" help with technical assistance to implement efficiency programs "before the next cold season." Asif specifically noted the problems with the standardization of gas appliances which are reportedly at most only 22 percent efficient in Pakistan. He noted GOP discussions about distributing gas water heaters to citizens to help alleviate the burdens of the blackouts. (Comment: Pakistan experienced a drought and its coldest winter on record in 2007-08. Parts of the population in the high elevations and northern areas suffered from approximately 23 hours without electricity per day. It is presumed these gas water heaters would target this population. End comment.)

DIALOGUE AND INVESTMENT CONFERENCE

15. (SBU) Ambassador noted that the U.S. is interested in holding another session of the energy dialogue soon. She noted that previous energy dialogues have not been as effective or as active as we would like but that we hope to see Pakistan prioritize energy assistance project requests instead of giving us a "wish list of projects that would total billions of dollars." The Minister agreed, stating that "more planning is necessary in advance of the discussions to achieve more in the long run."

16. (SBU) Ambassador also noted the U.S. is interested in helping Pakistan attract U.S. investors to its energy sector. She also urged the GOP to move forward with planning for an Energy Investment Conference in the U.S. within the next few months. Asif welcomed U.S. support in this endeavor and noted that Pakistan wanted to actively recruit U.S. investors to the local energy sector. He noted that a new petroleum policy for exploration and production which will "open thirty blocks" for foreign investors and the U.S. investors would be "most welcomed."

SUBSIDIES AND PAYMENTS

17. (SBU) Responding to the Ambassador's question about the continuation of fuel subsidies, Asif noted that the previous government had not raised fuel prices in over a year. He stated that it is necessary to increase the prices but that the impact on the public will have to be minimized with a gradual rise over the

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next few months.

18. (SBU) Ambassador also inquired about the outstanding payments to U.S. energy companies in Pakistan such as Chevron and AES. Asif noted that some money was recently released for payment and that he had discussed these outstanding debts with Finance Minister Dar. They will have other money appropriated for payment as it becomes available to the government.

REGIONAL ENERGY PROJECTS

19. (SBU) Turning to the pipelines, Ambassador reiterated U.S. objections to Pakistan's continued negotiations with Iran on a natural gas pipeline. Asif also reiterated Pakistan's position that all possible sources of energy were being considered due to the severity of the current energy crisis. He confirmed that discussions are scheduled in Islamabad for the week of April 21 between himself and the Indian Petroleum Minister to discuss the tariff issues. Asif also noted that discussions on the pipeline with Turkmenistan and Afghanistan (TAP) were scheduled April 23-24 and that Turkmenistan is expected to present a certification of the available gas reserves.

110. (SBU) Ambassador also asked about the new government's commitment to the "CASA 1000" project which would bring 1000 MW of electricity to Pakistan's national grid at an interchange in Peshawar via exports from Tajikistan and the Kyrgyz Republic. Asif was unfamiliar with the project but promised to inquire about the status within the GOP stakeholders.

COMMENT AND ACTION REQUEST

111. (SBU) Comment: The GOP sees that the current 4000 MW shortfall in energy needs is a critical issue facing Pakistan and future economic growth. The new government seems committed to making the tough decisions which will be necessary to plan and invest in major energy infrastructure projects but is also facing a severe cash

crunch which could impede upon such plans. Post looks forward to the next Energy Dialogue as a platform to have meaningful discussions with Pakistan on potential avenues for U.S assistance and investment opportunities. End comment.

¶12. (SBU) Action Request: Post requests assistance in providing resources on energy efficiency to the GOP. In an effort to be as responsive as possible, Post requests that SCA/PB gather materials from relevant agencies and send them to Post electronically or via pouch. Post also requests that SCA and EEB discuss the possibility of funding a feasibility study on the Thar coal fields with USTDA. End action request.

PATTERSON